

Message Text

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SUBJ: MORE ON JEBEL ALI -- FINANCING FOR ALUMINUM SMELTER

SUMMARY: FINANCING OF ALUMINUM SMELTER FOR DUBAI'S JEBEL
ALI PROJECT LIKELY TO BE ANNOUNCED 15 DECEMBER . SNAG IN
FINANCING ALLEGED. END SUMMARY.

1. WE UNDERTAND AFROM VARIOUS SCOURCES INCLUDING ONE
AMERICAN BANK THAT THE FINANCIAL PACKAGE FOR THE
ALUMINUM SMELTER TO BE BUILT AT JEBEL AI, DUBAI, AUE,
IS DUE TO BE ANNOUNCED ON DEC. 15.

2. THE LOAN IS DESTINED FOR THE DUBAI ALUMINUM COMPANY,
WHICH IS EIGHTY PER CENT OWNED BY THE GOVERNMENT OF
DUBAI, WITH THE US CORPORATION SOUTHWIRE ALUMINUM
HOLDING SEVEN AND ONE-HALF PERCENT, THE JAPANESE
TRADING COMPANY NISSHO IWAI SEVEN AND ONE-HALF PERCENT
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AND THE REST (FIVE PERCENT) BY LOCAL INTERESTS.

3. THE LOAN, WHICH REPORTEDLY WILL EQUAL TWO HUNDRED MILLION POUNDS STERLING, IS BEING MANAGED BY MORGAN GREFELL, LLOYD'S BANK INTERNATIONAL, WARDLEY MIDDLE EAST LTD., AND, WE ARE TOLD, FIRST NATIONAL CITY BANK. THE LOAN IS BEING GUARANTEED BY THE UK'S EXPORT CREDIT GUARANTEE DEPARTMENT, AND THE UK CONTENT OF THE PROJECT, INCLUDING A DESALINATION PLANT, HAS BEEN PUT BY THE FINANCIAL TIMES AT TWO HUNDRED FIFTY- THREE MILLION POUNDS.

4. THE ALUMINUM SMELTER IS EXPECTED TO COST ABOUT FIVE HUNDRED MILLION POUNDS AND WILL BE BUILT BY BRITISH SMELTER CONSTRUCTION, WHICH IS JOINTLY OWNED BY WIMPEY AND SELECTION TRUST, THE UK MINING FINANCE GROUP. THE COMPANY RECENTLY AWARDED A POWER CONTRACT TO JOHN BROWN ENGINEERING, A BRITISH FIRM. THE CONTRACT WAS WORTH ABOUT THIRTY-FIVE MILLION POUNDS.

5. AN AMERICAN BANKER IN DUBAI (NOT AN OFFICER OF FNCB) AND AN AMERICAN BUSINESSMAN CLOSE TO THE PROJECT ALLEGE THAT A SNAG MAY, HOWEVER, HAVE HIT THE PROJECT'S FINANCING. THESE TWO SOURCES CLAIM THAT THERE MAY BE A SHORTFALL OF AS MUCH AS FORTY MILLION DOLLARS IN THE PROJECT'S FINANCING. A DUBAI ALUMINUM COMPANY OFFICER, ALSO AN AMERICAN CITIZEN, HOWEVER, DENIES ANY KNOWLEDGE OF SUCH A SHORTFALL. THIS LAST SOURCE STATES THAT - TO THE BEST OF HIS KNOWLEDGE - THE PROJECT HAS BEEN OVER SUBSCRIBED.

6. WHILE REPORTS THAT THE SMELTER'S FINANCING MAY HAVE HIT A SNAG MAY BE PREMATURE, THE ECONOMIC UNCERTAINTIES OF THE JEBEL ALI SMELTER (SUCH AS A SHORTAGE OF NATURAL GAS AND THE NECESSITY FOR SUBSIDIZED ELECTRICAL GENERATION) MAKE THESE REPORTS SEEM CREDIBLE.

WERE THE FINANCING OF THE ALUMINUM SMELTER TO FALL, IT WOULD WEAKEN THE VIABILITY OF THE WHOLE JEBEL ALI INDUSTRIAL AREA.

DICKMAN

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